

CONDUCTING A RESIDENTIAL ENERGY FINANCING PROGRAM
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The Center for Ecological Technology (CET) is a non-profit community based organization working since 1976 in the fields of energy conservation and renewable resources. During the past ten years CET has provided education, training, technical assistance, programs and services to individuals, businesses, non-profit agencies, cities and towns. CET primarily serves Berkshire County, the western most and coldest area of the state, (approx. 7,600 degree days). It is a rural county, comprised of 32 towns, and a total population of approximately 145,000. (Pittsfield approx. 50,000; Adams/North Adams approx. 22,000, the remaining towns less than 10,000 each.) Most of the housing stock is pre-1940, one to four unit dwellings.

CET's strength has been its ability to develop and deliver energy conservation programs to the community. Staff tracked and impatiently awaited the Energy Conservation and Solar Bank Program (ECB), a federally funded financing program originally proposed by President Carter in 1978. In 1980, the Reagan administration tried to halt the implementation of this program. The "energy crisis" was over; energy plans had been written (and shelved); utilities were offering audits; and the low-income weatherization program was running smoothly. Unfortunately, there still was no assistance for the vast majority of middle income people, many of whom are not eligible for low-income weatherization programs or fuel assistance but still need help.

It was our sense that obstacles to residential energy conservation included:

1. What to do/inadequacies in the RCS audit and delivery structure
2. Consumer protection:
 - a. How to select a contractor
 - b. What materials to use
 - c. Quality control
3. Cost/lack of disposable income/high interest rates/no existing "energy home improvement loan" market
4. Lack of financing assistance for moderate income households.

Other prevailing myths included:

1. Older people won't borrow money
2. Low-income people can't obtain loans
3. Energy education and conservation has occurred
4. Banks and contractors are suspicious of government programs and reluctant to participate in them.

In order for people to have the confidence and ability to proceed and succeed, a program would have to provide objective information, consumer protection, education, advocacy, financing assistance, and quality control.

Finally in 1982, the Reagan Administration lost its court fight to block the Energy Conservation and Solar Bank, and in 1983, the Massachusetts Executive Office of Energy Resources (EOER) issued a Request for Proposal (RFP) to conduct the program.

The Massachusetts program was designed as a principal subsidy program: households would receive 20 to 50% reductions on loan principal depending on income (up to 150% of the median income). No income guidelines were required for landlords. In addition, the Energy Office allocated Warner funds (fuel overcharge monies) to subsidize the interest (5 to 15 points) for households less than 100% of the median income. Eligible improvements were those which would pay for themselves (in energy savings) within the useful life time of the measure. In 1985 solar hot water became eligible as well.

Program start-up was extremely time-consuming and did not go smoothly. Some of the problem areas included:

1. Obtaining lenders
2. Getting contractors listed (on the EOER Energy Conservation Service list)
3. Coordination between ECB and RCS
4. Developing marketing materials
5. Instituting a mechanism to get money from HUD to EOER to lenders to clients and contractors
6. Administrative hurdles (forms, reporting, income verification)
7. Programmatic changes (for example, interest program as designed was not workable and had to be redesigned)
8. Poor rapport between LPO's and energy office
9. Inadequate administrative and operating budget.

Nevertheless, we struggled along. By June of 1984, CET out of 101 loans/applications state-wide, CET had processed 85 or 84%.

By the fall of 1984, it was becoming apparent to CET that several factors underlay CET's first year success. These included:

1. Raising additional operating money locally from local housing and community agencies, utilities and foundations
2. Organizational commitment to program success
3. In-house energy expertise
4. Connection with the community, other agencies
5. Outreach, marketing efforts.

The presentation will go into more detail about outreach and marketing strategies including:

1. Effectiveness of media -- lead stories, radio talk shows, etc.
2. Referral and coordination with other housing programs
3. Mass-Save (RCS audit program) mailings
4. Pros and cons of marketing through contractors
5. Contact through major employers, newsletter articles, posters, presentations
6. Enlisting banks to help promote program (difficulties and successes)
7. Targeting elderly, minority, lower income and female head of household.

Discussion will also include lender, contractor and client response to the program.

Results to date are as follows:

| | | | | | |
|---------------|----------------------|-------------------------|----------------|-------------|-----------------|
| <u>#Loans</u> | <u>%Below median</u> | <u>Below 80% median</u> | <u>Elderly</u> | <u>Fhh*</u> | <u>Landlord</u> |
| 708 | 526 (74%) | 344(49%) | 16% | 8% | 27% |

*female head of household

| | | | | |
|--------------|------------------|------------------|---------------------|----------------|
| <u>Total</u> | <u>Prin.Sub.</u> | <u>Int. Sub.</u> | <u>Proj.Savings</u> | <u>Payback</u> |
| \$2,105,000 | 672,000 | 210,000 | 371,000 | 5.6 yrs. |

In 1986, with the end of the HUD program, Governor Dukakis has allocated \$15,000,000 of \$70,000,000 Exxon monies for moderate income financing. Finally (hopefully), there is a team effort in place among EOER and local program operators to make this new program successful. Many of the elements described above are being emphasized. These include:

1. Formalizing the connection between the RCS audit and financing program -- working toward LPO's having energy audit capability through RCS
2. Increased marketing resources with EOER initiating centralized strategies in coordination with LPO local outreach
3. Designing a simpler program to market and operate (fewer forms, fewer income guidelines)
4. Working towards coordination among utilites, energy office, community agencies.

This program will be new for all parties (EOER/LPO's) and appears promising in several areas. Zero interest for anyone who is income eligible will be easier to explain and to market. Contractors should be able to be paid promptly, and the absence of HUD removes one level of bureaucracy. Among the many unknowns is the marketability of the loans due to the drop in oil prices. Also, the lack of principal subsidy may make the costs too great for lower income households and reduce the current high rate of lender approval.